

ORIGINAL

OPEN MEETING ITEM

COMMISSIONERS  
GARY PIERCE - Chairman  
BOB STUMP  
SANDRA D. KENNEDY  
PAUL NEWMAN  
BRENDA BURNS



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ARIZONA CORPORATION COMMISSION

DATE: APRIL 30, 2012

DOCKET NOS.: W-01303A-09-0343 and SW-01303A-09-0343

TO ALL PARTIES:

Arizona Corporation Commission

DOCKETED

APR 30 2012

DOCKETED BY

JSm.

Enclosed please find the recommendation of Administrative Law Judge Teena Jibilian.  
The recommendation has been filed in the form of an Order on:

EPCOR WATER ARIZONA, INC. ANTHEM WATER DISTRICT, SUN CITY WATER DISTRICT, ANTHEM/AGUA FRIA WASTEWATER DISTRICT, SUN CITY WASTEWATER DISTRICT, AND SUN CITY WEST WASTEWATER DISTRICT.

(EXTENSION OF TIME DEADLINE CONTAINED  
IN DECISION NO. 72047)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00 p.m.** on or before:

MAY 9, 2012

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

MAY 22, 2012 and MAY 23, 2012

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

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ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 GARY PIERCE, Chairman  
4 BOB STUMP  
5 SANDRA D. KENNEDY  
6 PAUL NEWMAN  
7 BRENDA BURNS

8 IN THE MATTER OF THE APPLICATION OF  
9 ARIZONA-AMERICAN WATER COMPANY, AN  
10 ARIZONA CORPORATION, FOR A  
11 DETERMINATION OF THE CURRENT FAIR  
12 VALUE OF ITS UTILITY PLANT AND  
PROPERTY AND FOR INCREASES IN ITS  
RATES AND CHARGES BASED THEREON FOR  
UTILITY SERVICE BY ITS ANTHEM WATER  
DISTRICT AND ITS SUN CITY WATER  
DISTRICT, AND POSSIBLE RATE  
CONSOLIDATION FOR ALL OF ARIZONA-  
AMERICAN WATER COMPANY'S DISTRICTS.

DOCKET NO. W-01303A-09-0343

13 IN THE MATTER OF THE APPLICATION OF  
14 ARIZONA-AMERICAN WATER COMPANY, AN  
15 ARIZONA CORPORATION, FOR A  
16 DETERMINATION OF THE CURRENT FAIR  
17 VALUE OF ITS UTILITY PLANT AND  
18 PROPERTY AND FOR INCREASES IN ITS  
19 RATES AND CHARGES BASED THEREON FOR  
20 UTILITY SERVICE BY ITS ANTHEM/AGUA  
FRIA WASTEWATER DISTRICT, ITS SUN CITY  
WASTEWATER DISTRICT AND ITS SUN CITY  
WEST WASTEWATER DISTRICT, AND  
POSSIBLE RATE CONSOLIDATION FOR ALL  
OF ARIZONA-AMERICAN WATER  
COMPANY'S DISTRICTS.

DOCKET NO. SW-01303A-09-0343

DECISION NO. \_\_\_\_\_

**ORDER EXTENDING TIME**  
**DEADLINE ORDERED BY**  
**DECISION NO. 72047**

21 Open Meeting  
22 May 22 and 23, 2012  
23 Phoenix, Arizona

24 **BY THE COMMISSION:**

25 \* \* \* \* \*

26 Having considered the entire record herein and being fully advised in the premises, the  
27 Arizona Corporation Commission ("Commission") finds, concludes, and orders that:  
28 ...

**FINDINGS OF FACT**

1  
2 1. On July 2, 2009, Arizona-American Water Company ("Company")<sup>1</sup> filed with the  
3 Arizona Corporation Commission ("Commission") an application for rate increases for its Anthem  
4 Water District, Sun City Water District, Anthem-Agua Fria Wastewater District, Sun City  
5 Wastewater District, and Sun City West Wastewater District.

6 2. On January 6, 2011, the Commission issued Decision No. 72047, which granted an  
7 increase in rates, and, among other things, ordered the Company to implement, on June 1, 2012, a  
8 new winter averaging rate design for residential customers of the Anthem-Agua Fria Wastewater  
9 district. Currently, wastewater rates for those customers are based on actual water usage each month,  
10 capped at 7,000 gallons of water usage. The new winter averaging rate design will change this bill  
11 calculation method by (1) removing the 7,000 gallon water usage cap, and (2) basing the customer  
12 bill on that customer's average water usage over the winter months of January, February and March  
13 each year.

14 3. On March 5, 2012, the Company filed a Request for Extension of Time ("Request").  
15 The Company requests that the deadline of June 12, 2012, to implement the winter averaging rate  
16 design be extended to June 13, 2013. The Company believes the requested extension is in the public  
17 interest, because it will allow the Company to continue its community outreach to properly prepare  
18 its customers for the change in rate design.

19 4. On March 6, 2012, the Company filed a Notice of Errata that corrects a table appearing  
20 on page 3 of its Request. The corrected data appears in a table reproduced in Findings of Fact No. 8  
21 below.

22 5. The Company states in the Request that although it notified customers of the coming  
23 change in wastewater billing in December 2011, the Company still has concerns about customers'  
24 level of awareness of and preparedness for the new wastewater rate methodology.  
25

26  
27 <sup>1</sup> On February 1, 2012, Arizona-American Water Company was acquired by EPCOR Water (USA), Inc.. The acquisition  
28 was approved by Commission Decision No. 72668 (November 17, 2011). EPCOR Water (USA), Inc. is now doing  
business as EPCOR Water Arizona, Inc. Both Arizona-American Water Company and EPCOR Water Arizona, Inc. will  
be referred to herein as "Company."

6. The Company believes that more time and additional customer notification and outreach is necessary and appropriate to allow customers time to adequately prepare for the change in the method by which customer wastewater rates will be calculated. Specifically, the Company states that it does not believe its customers adequately understand that the current 7,000 gallon monthly usage ceiling (based on water usage) is eliminated in the new winter averaging wastewater rate design, and the impact of this elimination.

7. A copy of the Company's December 2011 notice to customers was attached as Exhibit A to the Request. That notice has been reproduced and is attached hereto as Exhibit A. The customer notice does not mention the possible effects that eliminating the current 7,000 gallons per month water usage cap may have on customers' wastewater bills.

8. The Company states that if the Request is granted, the time period during which water usage would determine wastewater bills is January 2013 through March 2013, and that the Company is committed to providing additional notice and outreach well prior to that time. The Company states that since the winter average tariff sends a very strong conservation incentive in the winter, many customers will need to make changes to outdoor landscape in order to avoid a high wastewater bill.

9. The Company provided the following table showing the rate effects of implementing the new winter average rates on a sample of winter average water usage amounts:

<u>Usage in Gallons</u>	<u>Current Monthly Wastewater Bill</u>	<u>Approximate Winter Average Wastewater Bill</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
3,000	\$54.82	\$30.00	(\$24.82)	(45.3%)
6,000	\$69.81	\$60.00	(\$9.81)	(14.1%)
9,000	\$74.80	\$90.00	\$15.20	20.3%
12,000	\$74.80	\$120.00	\$45.20	60.4%
15,000	\$74.80	\$150.00	\$75.20	100.5%
18,000	\$74.80	\$180.00	\$105.20	140.6%
21,000	\$74.80	\$210.00	\$135.20	180.7%
24,000	\$74.80	\$240.00	\$165.20	220.9%

10. The Company states that in order to better educate customers about the new winter average sewer rate, it is planning frequent communications beginning in late spring 2012 that will include the following: direct mail letters, bill messaging and other customer communications, educational outreach, community and community leadership meetings, and media relations and

1 website content. In particular, the Company wishes to inform customers of what their winter average  
2 based bill would have been if the winter average rate had gone into effect beginning June 2012, so  
3 that they will know specifically how much they need to reduce 2013 winter water usage to achieve  
4 their desired bill.

5 11. The Company states that continuation of the current rate design, which has been in  
6 effect since January 2011, will be revenue neutral for the Company.

7 12. On March 6, 2012, the Residential Utility Consumer Office ("RUCO") filed its  
8 Response to the Request. RUCO states that it does not object to the Company's Request.

9 13. On March 12, 2012, Corte Bella Country Club Association, Inc. ("Corte Bella") filed  
10 an Objection to the Request. Corte Bella states that Corte Bella residents received ample notice of  
11 the change, fully understand how wastewater rates will be calculated going forward, and have  
12 curtailed their water usage during the past several months to avoid excessive wastewater bills for the  
13 remainder of the year. Corte Bella requests that the Company's request be denied and that the new  
14 winter average wastewater rates be implemented without delay.

15 14. On April 24, 2012, the Commission's Utilities Division ("Staff") filed a Memorandum  
16 in this docket. Staff states that based on the Company's filing, Staff agrees with the Company's  
17 concern that its customers need further education on the issue, and that without proper outreach and  
18 education, the new wastewater rate design could cause very serious customer confusion and concern.  
19 Staff recommends that the Company be granted its requested one year extension of time, but that the  
20 Company be put on notice that no further time extension should be entertained or granted. Staff  
21 further recommends that the Company be required to provide its customers affected by the rate  
22 design change with the proper education and outreach so that customers are not surprised with their  
23 new wastewater bills that will begin on June 1, 2013.

24 15. Staff recommends that the Company's education and outreach include a prominent  
25 water bill insert that begins no later than October 2012 and continues through at least May 2013.  
26 Staff recommends that the bill insert consist of a calculation chart whereby the customer can  
27 determine what his/her wastewater bill would be effective June 1, 2013 (excluding taxes), if his/her  
28

1 average water usage during January, February and March of 2013 were equal to the water usage of  
2 the month in which the bill insert appears. Staff believes that its recommended information should  
3 provide the customers with enough information to adjust their January, February, and March 2013  
4 water usage accordingly before the new wastewater rate design is implemented.

5 16. Based on the record on this issue, we agree with the Company and Staff that without  
6 proper outreach and education, the new wastewater rate design could cause very serious customer  
7 confusion and concern, and agree that that the affected customers require further education on the  
8 issue. While Corte Bella stated in its filing that its residents are fully informed and prepared for the  
9 new wastewater design, we are not convinced that all of the customers in the Anthem-Agua Fria  
10 Wastewater district are prepared for the effects of removal of the 7,000 gallon per month cap, as  
11 shown in the table in Findings of Fact No. 9 above.

12 17. We find Staff's recommendations regarding the bill insert to be reasonable and will  
13 adopt them. The Company outlined in the Request the community outreach and education meetings  
14 it has planned. We find these planned communications to be reasonable, and will require the  
15 Company to go forward with them as soon as possible.

#### 16 CONCLUSIONS OF LAW

17 1. The Company is a public service corporation within the meaning of Article XV of the  
18 Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

19 2. The Commission has jurisdiction over the Company and the subject matter of this  
20 proceeding.

21 3. It is reasonable and in the public interest to grant the Company's request for a one year  
22 extension of time to comply with the requirement to implement the new winter average rate design  
23 ordered by Decision No. 72047.

24 4. It is reasonable and in the public interest to put the Company on notice that no further  
25 time extension of the deadline will be granted.

26 5. It is reasonable and in the public interest to require the Company to immediately  
27 institute communications with customers of the Anthem-Agua Fria Wastewater district on the issue  
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1 of the new winter averaging rate design that includes educational outreach, community and  
2 community leadership meetings, media relations and website content, and a prominent water bill  
3 insert that begins no later than October 2012 and continues through at least May 2013, which  
4 conforms with Staff's recommendations as set forth herein.

5 **ORDER**

6 IT IS THEREFORE ORDERED that the compliance deadline set by Decision No. 72047 for  
7 EPCOR Water Arizona, Inc. to implement the winter average wastewater rate design for its Anthem-  
8 Agua Fria Wastewater district is hereby extended to June 1, 2013.

9 IT IS FURTHER ORDERED that no further time extension of the deadline will be granted.

10 IT IS FURTHER ORDERED that EPCOR Water Arizona, Inc. shall immediately institute  
11 communications with customers of the Anthem-Agua Fria Wastewater district on the issue of the new  
12 winter averaging rate design that include educational outreach, community and community leadership  
13 meetings, media relations and website content.

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IT IS FURTHER ORDERED that EPCOR Water Arizona, Inc. shall include, beginning no later than October 2012 and continuing through at least May 2013, in the water and wastewater bills for its Anthem-Agua Fria Wastewater district customers, a prominent bill insert that consists of a calculation chart whereby the customer can determine what his/her wastewater bill would be effective June 1, 2013 (excluding taxes), if his/her average water usage during January, February and March of 2013 were equal to the water usage of the month in which the bill insert appears.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

DISSENT \_\_\_\_\_

DISSENT \_\_\_\_\_



1 SERVICE LIST FOR:

EPCOR WATER ARIZONA, INC. ANTHEM WATER DISTRICT, SUN CITY WATER DISTRICT, ANTHEM/AGUA FRIA WASTEWATER DISTRICT, SUN CITY WASTEWATER DISTRICT, AND SUN CITY WEST WASTEWATER DISTRICT.

4 DOCKET NOS.:

W-01303A-09-0343 AND SW-01303A-09-0343

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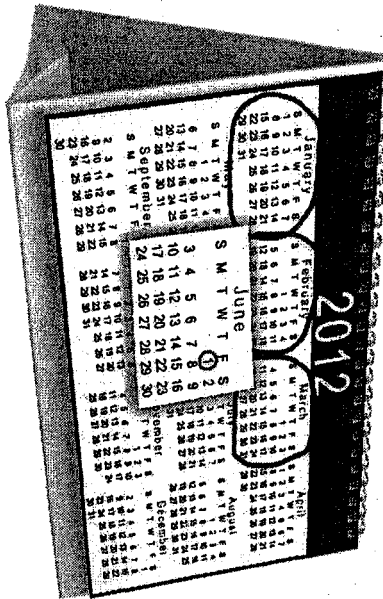
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**EXHIBIT A**

# MANAGE WINTER WATER USAGE

## YOUR WASTEWATER BILL WILL SOON BE BASED ONLY ON YOUR WINTER WATER USAGE



The Arizona Corporation Commission approved a new winter-based rate for determining residential wastewater charges.

Starting on June 1, 2012, each residential customer's wastewater charges will be based on the monthly average of that customer's winter water usage during the previous January, February and March period. Water bills from winter months are often used to compute wastewater bills in many communities because it is the season when most customers have the lowest outdoor water use.

Your monthly wastewater bill for the one-year period beginning in June 2012 will be based on the monthly average of your 2012 winter water usage. Your wastewater bill will be revised annually beginning each June based on your previous winter water usage.

**EXAMPLE:**

ACTUAL RESIDENTIAL WATER USAGE IN GALLONS				
January 2012	February 2012	March 2012	Total	WINTER MONTHLY AVERAGE 2012
5,000	6,000	7,000	18,000	6,000

In this example, the 2012 winter average of 6,000 gallons would be used to determine the monthly wastewater charges for each month from June 2012 through May 2013. Thereafter, each winter's actual water usage during the months of January, February and March would determine the winter average that would be used to determine the monthly wastewater charges for the next 12 month period beginning in June.

For more information, please call us at (800) 383-0834.

**NOTE: THIS IS NOT A RATE INCREASE**